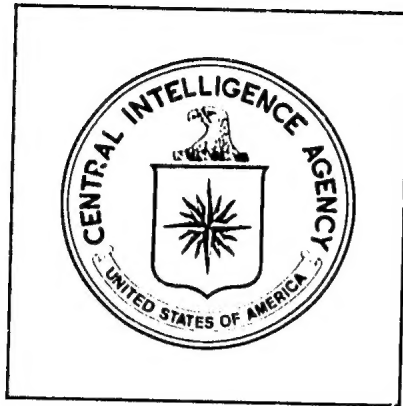


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State Dept. review completed

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CHINESE AFFAIRS

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Progress in the Provinces

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The appointment of a first secretary in Hupeh and the initial results of "get tough" measures aimed at dissident workers indicate that Peking is making progress on two of its bigger headaches: demilitarization of provincial party committees and restoration of labor discipline in Chinese factories.

The new first secretary is Chao Hsin-chu, a cultural revolution purge victim who was rehabilitated two years ago. Like other recent appointees, Chao is a veteran civilian administrator who seems to have close ties to the moderate group now in command in Peking.

The appointment of Chao points up Peking's continuing drive to remove military men from major provincial posts. In Hupeh, the center passed over the ranking party secretary (a military man) to name Chao, the most senior of the civilian secretaries, to the top post, which was last filled by one of the senior military commanders rotated 18 months ago. Moreover, Chao is the fourth first secretary named in the past five months; all have been civilians, and all have replaced military men. Only eight provinces still have an active duty army officer as first secretary, down from 17 just two years ago.

Although determined to ease military men out of traditionally civilian political posts, Peking's attitude toward disfavored officers seems to have changed in the past year. During the height of the anti-Confucius campaign, Peking seemed intent on purging a number of them outright. Now, the center has apparently decided instead to reassign some of them to purely military duties. The former first secretary of Shansi has been appearing in Peking,

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[redacted]

where he may be performing military duties, and the former boss of Tsinghai has apparently been transferred to Shantung after a stint at the center. Also, career officers who have managed to stay on the right side of central authorities are being rewarded. Foochow Military Region Commander Pi Ting-chun is the latest provincial army officer to lead a military friendship delegation abroad. [redacted]

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Peking's efforts to increase worker discipline and boost lagging production also seem to be bearing fruit. [redacted]

[redacted] many workers are back on their jobs and that production is up, at least temporarily. The situation has apparently improved slightly in a few other provinces as well.

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The improvement is at least partially attributable to new "get tough" measures authorized by Peking in March. Wages are being withheld from workers who claim to be "ill" or whose productivity has dropped significantly. Rail disruptions of all sorts are the target of another strict directive. Threats have been coupled with incentives, too. Some bonuses are being paid to workers, evidently based as much on their attitude as on their performance. Similar measures have been used before with limited success, but the proletarian dictatorship campaign with its strong law-and-order undertones and its stress on punishing economic misdeeds seems to have provided new force.

Formidable problems remain in both the provinces and the economy, despite Peking's latest efforts. Appointing a new first secretary is only part of the story; each new leader--like Chao Hsin-chu--must establish his authority before he can effectively deal with the problems of a particular province. Some have had difficulty doing so, like Tan Chi-lung in Chekiang, and others who seem to be relatively successful--like Chao Tzu-yang of Kwangtung--face

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continuing challenges to their authority. While Peking seems to be making some headway in controlling the effects of worker discontent, it has not yet really come to grips with its causes. [REDACTED]

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Concern About Textile Export Restrictions

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The Chinese are showing increasing concern over a depressed world market for their textiles, traditionally a major earner of hard currency. Countries running a large trade surplus with China are receiving particular attention, and Chinese trade officials are threatening some with retaliatory action for alleged discrimination. With other countries, notably the US, they are taking a conciliatory attitude in an effort to increase textile exports to the American market.

Australia, which is seeking to restrain imports of Chinese textiles, has received the bluntest warning. The PRC has threatened to reduce wool purchases if textile exports are disrupted. This type of threat is not unique in Sino-Australian trade relations. Twice in the 1960s, China responded to curbs in Australian footwear imports by cutting purchases of Australian hides.

With regard to Japan, China's textile trade last year was aimed at importing cloth and yarn and exporting finished garments. Although there is no contractual link between sales and purchases, the Chinese feel a strong moral commitment exists to balance roughly this trade agreement. They were extremely annoyed that they imported large amounts of cloth and yarn without reciprocity by the Japanese. Exports of Japanese textile products to China rose from \$63 million in 1973 to more than \$200 million last year, but Chinese exports of clothing to Japan only doubled, from \$47 million in 1973 to \$100 million in 1974. If this trend continues, China may resort to the same type of threat against Japan that it has used with Australia.

China is showing a conciliatory attitude toward development of textile trade with the US. During the

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recent visit to the US by representatives of the China National Textiles Import and Export Corporation, delegation members expressed a strong desire to increase textile sales to the US. They studied types of cloth, fabric colors, and patterns that are attractive to US consumers and discussed packaging and currency problems. The delegation also agreed to lower textile prices, something the Chinese had previously said they would not do.

There has been some concern by US textile producers over the rising amount of imported Chinese textiles. Textile imports to the US of \$38 million in 1974, up from \$12 million in 1973, however, represent less than 1 percent of total US textile imports. In the event of US import restrictions on PRC textiles, retaliatory action is unlikely. Any reduction in imports of Chinese cotton, a textile related product, is more likely to be tied to a rise in cotton output in China. Moreover, cotton imports from the US are contracted for through private firms instead of a national organization, making it difficult to exert political leverage.

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An Unhappy Anniversary for Chiang Ching

The anniversary on May 23 of Mao's talks on literature and art was greeted with the customary outpouring of propaganda and a month-long festival sponsored by the Ministry of Culture. Missing from this year's festivities, however, is any direct mention of China's cultural czar, Chiang Ching.

Neither Radio Peking nor the provinces referred to Chiang Ching in their broadcasts commemorating the anniversary. Last year, by contrast, four provinces mentioned her--Heilungkiang on three separate occasions. It may be significant that the then party boss of Heilungkiang, military man Wang Chia-tao, seems now to be in political trouble.

Madame Mao did manage to elbow her way into the anniversary celebration, but not without difficulty. The only mention of her name occurred not in China but in Hong Kong, in the PRC-controlled newspaper *Wen Hui Pao*, which has appeared to act as a mouthpiece for Chiang Ching. In an interview with a Peking musician, the paper carried his reference to a 1965 instruction from Chiang Ching on composing a "revolutionary" symphony.

In Peking, *People's Daily* ran an unexceptional article on May 23 under the pseudonym Chu Lan, who seems to be Chiang Ching or someone who writes on her behalf. The article lacked the usual stridency of earlier Chu Lan pieces, however, and seemed to follow the propaganda line established the previous day by Liang Hsiao, another pseudonym for an obviously authoritative person whose identity is not clear but who generally adopts a moderate position. The only distinguishing feature of Chu Lan's article was its bold praise of Chiang Ching's

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"model" cultural works, which were said to have borne "rich fruit." Liang Hsiao merely wrote that the model works "exemplified" the current revolution in culture.

Chiang Ching's minuscule role in this year's anniversary is another sign of her diminishing political status. She has made only six public appearances this year. The Chinese media have praised her by name only three times since the beginning of the year, and only once from Peking.

Interestingly, Madame Mao's political woes do not seem to have affected Yao Wen-yuan, generally regarded as her closest associate. Yao has logged some 26 public appearances this year, most of them since April. In the past, Yao's public appearances roughly paralleled those of Chiang Ching. He has maintained a fairly high public profile, however, since he took part in substantive talks with visiting North Korean President Kim Il-song in April.

For the moment at least, it appears that Yao's political fortunes are not so closely linked to Madame Mao's as they once were. Should this state of affairs continue, it would seem likely that Yao, sensing that his future would be limited if he continued to throw in his lot with Chiang Ching, had tried to seek a modus vivendi with those in the leadership whose future appears reasonably secure in the post-Mao/Chou era.

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Pressuring Taipei

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Peking's efforts to pressure the Chinese Nationalists into some form of communication with the mainland continue to be rebuffed by Taipei.

Ten former Nationalist officers, released by Peking earlier this year as part of an amnesty of "Kuomintang war criminals," have been in Hong Kong for nearly two months awaiting Taipei's decision on their applications to visit Taiwan. On June 2, the Hong Kong government granted the releasees a one-month extension of their stay in the colony; it was the fourth such extension since they arrived on April 14. Taipei has made it clear that the releasees will not be granted permission to enter Taiwan unless they are willing to publicly declare their opposition to Peking.

Since Taipei certainly recognizes that it would be extremely awkward for the "war criminals" to reverse their well-publicized pro-Peking positions, it is clear that Taipei is in no mood to do any kind of business now with Peking.

Taipei is also very much aware of the ramifications of admitting the "war criminals." In April, Premier Chiang Ching-kuo told the US ambassador that he had issued instructions to reject any attempts the releasees make to visit Taiwan. Last month, Nationalist Foreign Minister Shen Chang-huan said that if any of the amnestied group were allowed to enter Taiwan, Peking would claim that it signaled the beginning of "contact" between the two parties. Shen added that this might lead to rumor and speculation that would put Taipei on the defensive--which is what Peking obviously has in mind.

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For its part, Peking has continued through its media outlets in Hong Kong to decry Taipei's "insensitivities" to the plight of the "war criminals." The pro-Peking press in Hong Kong has also argued that Taipei's fear of accepting the releasees reflects the weakness of the Taipei government. Fortunately for Taipei, however, the international press has not given heavy play to the issue because of its preoccupation with recent events in Indochina.

The June 4 suicide of one of the releasees, however, could refocus foreign press attention on the situation. News of the suicide received banner headlines in many of Hong Kong's major newspapers, which attributed the act to despair over the failure of the Nationalist government to act on requests to visit Taiwan.

Peking's current campaign for communication with Taipei began last February when Liao Cheng-chih suggested increased "compatriot-to-compatriot" contact in a speech commemorating the 1947 Taiwan "uprising." Recent Chinese propaganda has also encouraged Taiwan residents to visit relatives on the mainland and has included rather heavy coverage of Peking's invitation to Taiwan residents to participate in China's national games this fall in Peking.

Peking appeared to be following up on this theme last month in a broadcast beamed to Taiwan. Although the broadcast did not refer directly to the desirability of communications with the mainland, it explicitly linked the collapse of pro-US regimes in Indochina with the situation faced by the Taipei government, and equated former South Vietnam president Nguyen Van Thieu's regime with the Nationalist leadership. The broadcast called upon officials in Taipei to draw the appropriate "lessons" from the South Vietnamese example, especially regarding the futility of reliance on the US, and to work for the "liberation" of Taiwan.

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Peking seems to be telling the Nationalists that, despite current US support, their long-term prospects are doomed--unless Taipei recognizes the inevitability of reunification. Peking is also implying that Nationalist leaders can avoid a fate similar to that of former president Thieu only by agreeing to some sort of accommodation with the mainland.

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The Red Guards Are Back?

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Final preparations appear to have started for the Tenth National Congress of the Communist Youth League, the final step in rebuilding the mass youth organization. The Inner Mongolian League Committee recently held an enlarged plenum to greet the convocation of the National Congress and elect their delegates.

Despite the imminence of the National Congress, which would indicate that conditions have stabilized and questions regarding the approach to youth work have been resolved, recent events indicate that the league's role vis-a-vis that of the Red Guards still has not been resolved.

At a recent experience exchange rally in Shanghai, the Red Guards were given an equal role with the league in the effort to "grasp education of young people" under the current dictatorship of the proletariat campaign. Although both the league and Red Guards were well represented at the rally, greater emphasis was placed on the need to strengthen the building and organizational role of the Red Guards.

Red Guards also re-emerged in a Shanghai middle school establishing and leading theoretical study groups under the current dictatorship of the proletariat campaign, a role previously reserved for party cadres. Moreover, an article by the Party Committee of the No. 17 Shanghai Cotton Mill, which is associated with Wang Hung-wen, stresses the leading role of party and league cadres in leading theoretical study groups with no mention of a Red Guard role.

The Red Guards as an institution have had no political power since late 1968. Those who now belong to the rather shadowy remnant organizations which

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had flourished in 1966-68 are at best the younger brothers and sisters of those students who engaged in "struggle" at the height of the cultural revolution. Unlike the cadres and workers whose cultural revolution associations re-emerged during last year's anti-Confucius campaign, these young students have little or no partisan memory of the heady days of the "revolution." They are therefore not a political pressure group in the sense that the workers' and cadre groups were last year and probably still are.

The Red Guards are, however, a symbol precisely of the cultural revolution itself. And as a symbol, their role--like the historical significance of the "revolution"--remains unresolved. For this reason the question of whether or not the Red Guard organizations are to play a role in youth work is a political issue--one of considerable sensitivity. Although several other provinces have mentioned the Red Guards in connection with preparations for the Youth League congress, none has spoken of a specific role for the Red Guards. Most provinces have made no mention of the Red Guards at all. This diverse treatment suggests that the issue is alive as well as sensitive.

The treatment of the issue in Shanghai may be merely an isolated incident, but it highlights the problem that even a token role for this symbol of the cultural revolution is a question that will have to be tackled by the Youth League congress when it convenes. 25X1

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Whetting Dacca's Appetite

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China and Bangladesh have recently established formal trade relations, but this does not mean that diplomatic ties are just around the corner. The four trade contracts signed not long after a Bengalee delegation attended the Canton export fair, however, represent the most significant step along this path since the two countries began to talk about exchanging ambassadors almost a year ago. It has encouraged Dacca, which heretofore has been much the unrequited suitor seeking diplomatic ties with the hope that they will bring with them badly needed economic aid.

Although the trade breakthrough has given rise to Bengalee press rumors that China will soon recognize Bangladesh, this is almost certainly wishful thinking. To be taken more seriously is the remark last week by Bangladesh's foreign minister to the US ambassador in Dacca that diplomatic ties are not likely to occur before autumn. He went on to say that talks on this subject would be resumed at the UN General Assembly in September.

The foreign minister's reading of China's state of mind was shaped by a visit to China in late May by Dacca's ambassador to Burma, K.M. Kaiser. The Chinese probably reiterated to Kaiser their long-standing position that full relations cannot come until Dacca resolves its differences with Islamabad over the questions of Bangladesh's unwanted Bihari minority and how to divide the assets and liabilities of pre-1971 Pakistan. Thus far, only very limited progress has been made toward resolving these problems.

Even though the Pakistanis have given the Chinese the green light to establish relations with Dacca whenever they see fit, Peking has held firm to its

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precondition. When Vice Premier Li Hsien-nien visited Pakistan in April, he reaffirmed this position. To some extent this may be a stalling tactic which buys China time to get a better fix on the staying power of President Mujibur Rahman. At the same time, the Chinese are probably genuinely concerned that continuing Bengalee-Pakistani differences--leave room for the Indians (read Soviets) to enlarge further their influence in Dacca. Peking appears to be using the promise of diplomatic relations as an inducement to the Bengalees to reduce India's influence by breaking the stalemate with the Pakistanis. In this context China's decision to establish trade ties helps ensure that Dacca will remain interested in dealing with Peking without forgoing the considerable leverage which comes from withholding recognition.

Despite this pressure from Peking, resolution of Bengalee-Pakistani differences is likely to take a long time. Should Bangladesh's relations with India and the Soviet Union begin to grow even closer, Peking will probably feel more inclined to establish diplomatic ties with Dacca. On the other hand, if Dacca's relationships with Islamabad, New Delhi, and Moscow remain unchanged over the next several months or so, the Chinese may well move ahead anyway with diplomatic relations should they come to believe that Bangladesh's interest in ties with Peking is waning. [REDACTED]

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The current issue of *Red Flag* carries a strong call for the now standard theme of unity and stability and links this theme to the proletarian dictatorship campaign. Dubbing the campaign a "study movement," the article makes it clear that the campaign is not to interfere with the promotion of stability or to be used as an excuse for factionalism and divisiveness. Repeating the goal of achieving modernization by the end of the century, as stated by Chou En-lai at the National People's Congress, the article argues that unity and stability are needed in order to "gain time" to pursue modernization in a variety of fields. The article's repeated use of the phrase "unity and stability"--it is mentioned some 26 times--and its call to "defend" this notion suggest that Peking remains worried about potentially disruptive elements in society and that unity and stability have not yet become a universally accepted practice.

* * * *

A month after raising the controversial issue of how to treat college graduates and what kinds of jobs to assign them, Liaoning Province announced on May 27 that college graduates are expected to regard themselves not as an elite group but as ordinary workers. In late April, the provincial radio broadcast the texts of two wall posters, one of which contended that highly trained college graduates would be wasting their education if they were assigned to positions as "ordinary" workers, and the other insisting that college graduates are no better than anyone else. The recently announced resolution of this conflict came after "heated debate" that was not conducted in the open media and therefore did not become a national issue.

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The announcement was conciliatory in its attitude toward the writer of the now-discredited poster and toward others who supported this view. Local officials were said to have used "patience" and "reason" to persuade them to change their minds. The writer of the "losing" poster made some valid arguments that are generally in line with China's current preoccupation with economic progress and modernization. Liaoning's decision to endorse the opposing argument, however, suggests that the education issue remains highly contentious.

* * * *

The Chinese press has reported in a favorable light the results of President Ford's meeting with Egyptian President Anwar Sadat in Salzburg. In a news release on June 3, NCNA sought to convey the impression that the talks were held in a cooperative spirit and were productive. More specifically, it gave positive treatment to the announcement that the US is prepared to provide Cairo with long-term economic aid and to the news that arrangements are being made for an exchange of US-Egyptian presidential visits. It also raised the possibility that Secretary Kissinger might undertake another round of shuttle diplomacy.

The article mentioned that the US will propose its own plan for the settlement of the Middle East problem and linked this to President Ford's talks with Israeli Prime Minister Rabin in Washington this week. Peking obviously hopes that the US will direct most of the pressure for concessions at Tel Aviv, a position which Chinese diplomats abroad have been voicing since the breakdown of Secretary Kissinger's shuttle diplomacy in March. The Chinese believe that unless such pressure is brought to bear, the US risks losing the initiative in Middle East diplomacy to the Soviet Union. China has been decidedly unenthusiastic about a reconvened Geneva conference, fearing that this will give Moscow a larger voice in any settlement.

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CHRONOLOGY

May 23 Chinese military friendship delegation arrives in the Sudan. [REDACTED] 25X1

May 27 Egyptian trade delegation led by Minister of Trade arrives in Peking; May 31--signs 1975 trade protocol. [REDACTED] 25X1

May 28 Chao Hsin-chu, a civilian veteran, identified as first secretary of Hupeh. [REDACTED] 25X1

May 29 Syrian trade union delegation arrives in China. [REDACTED] 25X1

May 30 Vice Foreign Minister Ho Ying greets the Palestine 'Saika' delegation in Peking. [REDACTED] 25X1

Inner Mongolia elects delegates to National Trade Union, Women's Federation and Young Communist League congresses. [REDACTED] 25X1

Chinese military delegation headed by Deputy Chief of Staff Hsiang Chung-hua visits Yugoslavia. [REDACTED] 25X1

Romanian party leader Ceausescu receives ministerial-level Chinese delegation headed by Ching Fu-hsiang. [REDACTED] 25X1

June 1 Trinidad and Tobago oil delegation arrives in Peking. [REDACTED] 25X1

June 2 Teng Hsiao-ping receives delegation of American Society of Newspaper Editors. [REDACTED] 25X1

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June 2

General manager of the China Ocean Shipping Company departs to attend the reopening of the Suez Canal. []

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Vice Foreign Minister Ho Ying meets with delegation of the Popular Movement for the Liberation of Angola. []

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June 3

Thai parliament "goodwill" mission concludes one-week visit to China. []

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New China News Agency (NCNA) delegation, headed by NCNA director Chu Mu-chih, arrives in Tokyo as guests of Kyodo News Service. []

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June 4

Philippine trade and manufacturing delegation arrives in Peking. []

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Keng Piao, head of the International Liaison Department, fetes a delegation of the Revolutionary Communist Party of Chile. []

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June 6

Australian foreign Minister Don Villesce arrives in Peking and meets with Premier Chou En-lai. []

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June 7

Philippine President Ferdinand Marcos arrives in Peking to conclude agreement on establishment of diplomatic relations; meets with Chairman Mao and Premier Chou there. []

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June 9

Joint communique, issued from Peking, announces establishment of diplomatic relations between China and the Philippines. []

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